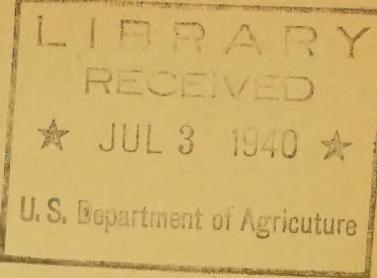


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.



June 10, 1940

TO FLUE-CURED TOBACCO GROWERS

With the large 1939 crop and the effect of the war on export markets flue-cured tobacco growers are facing a serious market situation--worse even than the situation from 1930 to 1932. Fortunately, the marketing quotas can be used to prevent extremely low prices and severe losses such as those suffered by growers in 1930, 1931 and 1932.

Recent amendments to the tobacco quota provisions of the Agricultural Adjustment Act of 1938 authorize a referendum on quotas for a period of three years. The referendum will be held in July before the opening of the markets, and any loan arrangements to support the market will depend upon a decision by growers to regulate marketings.

The amendments also provide that if quotas are in effect for three years no farm allotment (except in case of violation of the quota law) may be reduced during the three years below the 1940 allotment for the farm by more than 10 percent; and that no farm allotment which is two acres or less in 1940 may be reduced at all during the three-year period. It is hoped that a sufficient part of the export market can be maintained so that no downward adjustment will need to be made from the 1940 allotment during the three-year period. Every effort will be made to keep our export market and it may be possible to increase the allotments during the latter part of the three-year period.

One of the recent amendments makes adequate provision for full collection of penalties on any tobacco marketed in excess of quotas. Under this amendment, which goes into effect for the 1940 crop, any farmer who markets tobacco from an acreage in excess of his allotment will have the penalty of ten cents per pound on the excess marketings collected beginning with the first sale of tobacco from the farm. Since the quotas are on acreage basis and farmers can sell without penalty all of the tobacco produced on their allotted acreage there will be no transfers of quotas or sales of marketing cards.

I hope that each tobacco grower will consider carefully the issues involved and vote his conviction in the July referendum.

J. B. Hutson
J. B. Hutson,
Assistant Administrator.

I. : What are important facts in the present flue-cured situation?:

A. Supply and Price

1. 1939 Supply, including stocks, in United States.... 2,106 million lbs.
20% above previous record.
2. 1939 Price per pound..... 14.8 cents
Previous 5-year average 22.9 cents.
3. 1939 United States Crop..... 1,160 million lbs.
34% above previous record.
4. Estimated current world consumption U.S. flue-cured 775 million lbs.
Near previous record.
5. Probable United States stocks 1940..... 1,425 million lbs.
50% above previous record.

The huge 1939 surplus of around 400 million pounds will continue to depress prices until eliminated. Even before the European war started last September, average prices to growers had already fallen 8 cents per pound below the average of the previous five years.

With consumption at present levels, with allotments equal to those for 1940, and with normal yields per acre, it will require THREE more years to eliminate the 1939 surplus.

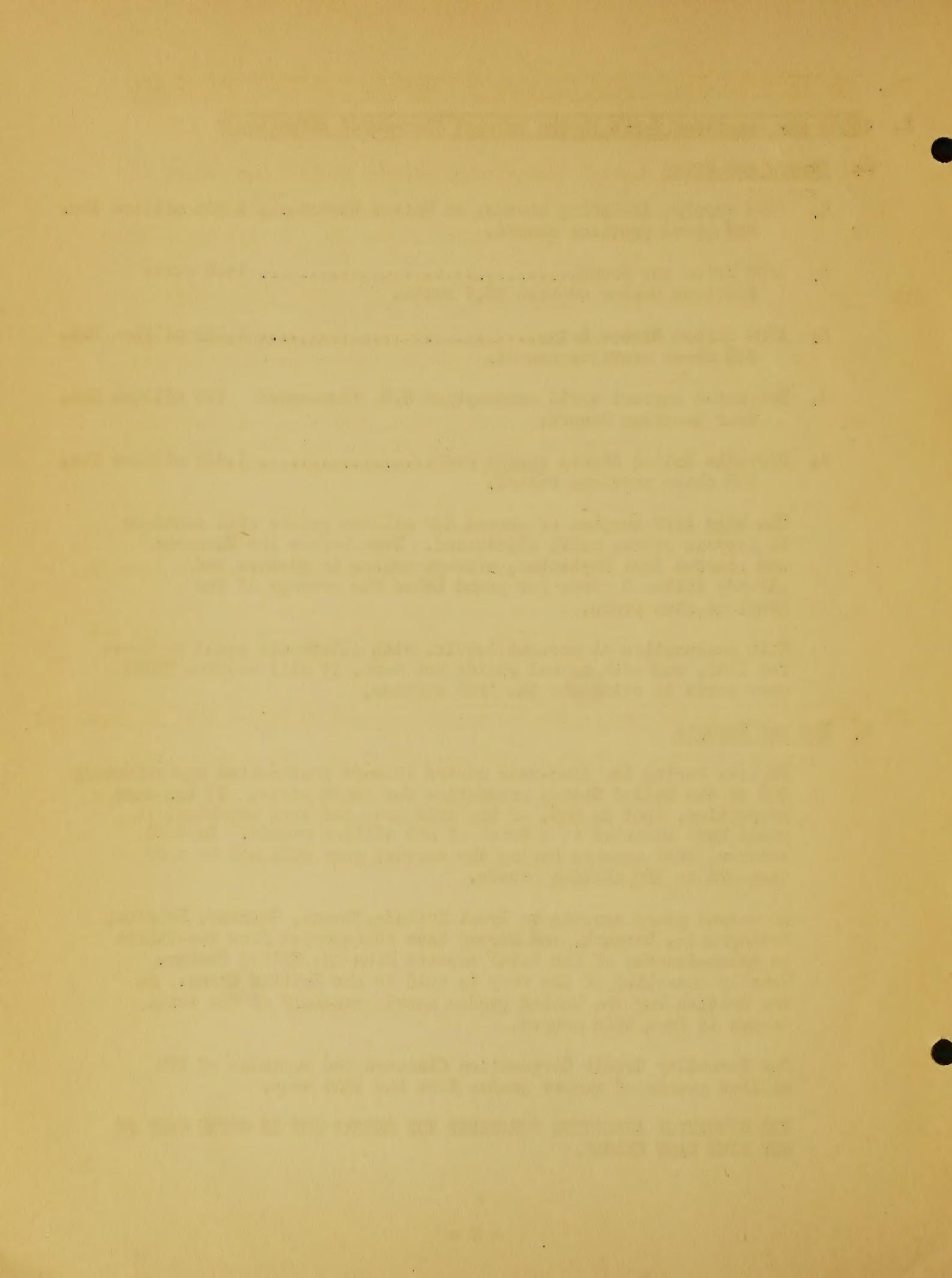
B. War and Exports

Exports during the five-year period 1934-38 represented approximately 50% of the United States production for those years. If the same proportion, that is 50%, of the 1939 crop had been exported, it would have amounted to a total of 580 million pounds. Instead, however, 1939 exports during the current year will not be more than 275 to 300 million pounds.

In recent years exports to Great Britain, France, Germany, Belgium, Netherlands, Denmark, and Norway have represented from two-thirds to three-fourths of the total exports from the United States. Usually one-third of the crop is sold to the British trade. As the British buy the better grades nearly one-half of the total income is from this source.

The Commodity Credit Corporation financed the purchase of 175 million pounds of export grades from the 1939 crop.

THE SITUATION AFFECTING PURCHASES FOR EXPORT NOW IS WORSE THAN AT ANY TIME LAST SEASON.



II. :How will the situation be affected if marketing quotas are NOT voted?:

1. There will be no Government loans.
2. The prospect of further excessive production would lower prices to growers.
3. Both old and new growers would expand production and this would later require further cuts in allotments for old growers.

III. :How will the situation be affected if marketing quotas ARE voted?:

1. If quotas are voted for three years, domestic manufacturers can pay fair prices for their tobacco without fear of excessive production during the period.
2. If quotas are voted for three years, the export trade will be more likely to make purchases at reasonable prices, and the government can better give maximum support to prices for the export grades.
3. Under three-year quotas growers could make their plans without fear of drastic changes from year to year.
4. Non-Cooperators could not profit at the expense of cooperating growers.
5. If quotas are approved for only one year rather than three years, allotments would be less stable, prices would be strengthened less and the support given to the export side of the market would be less.

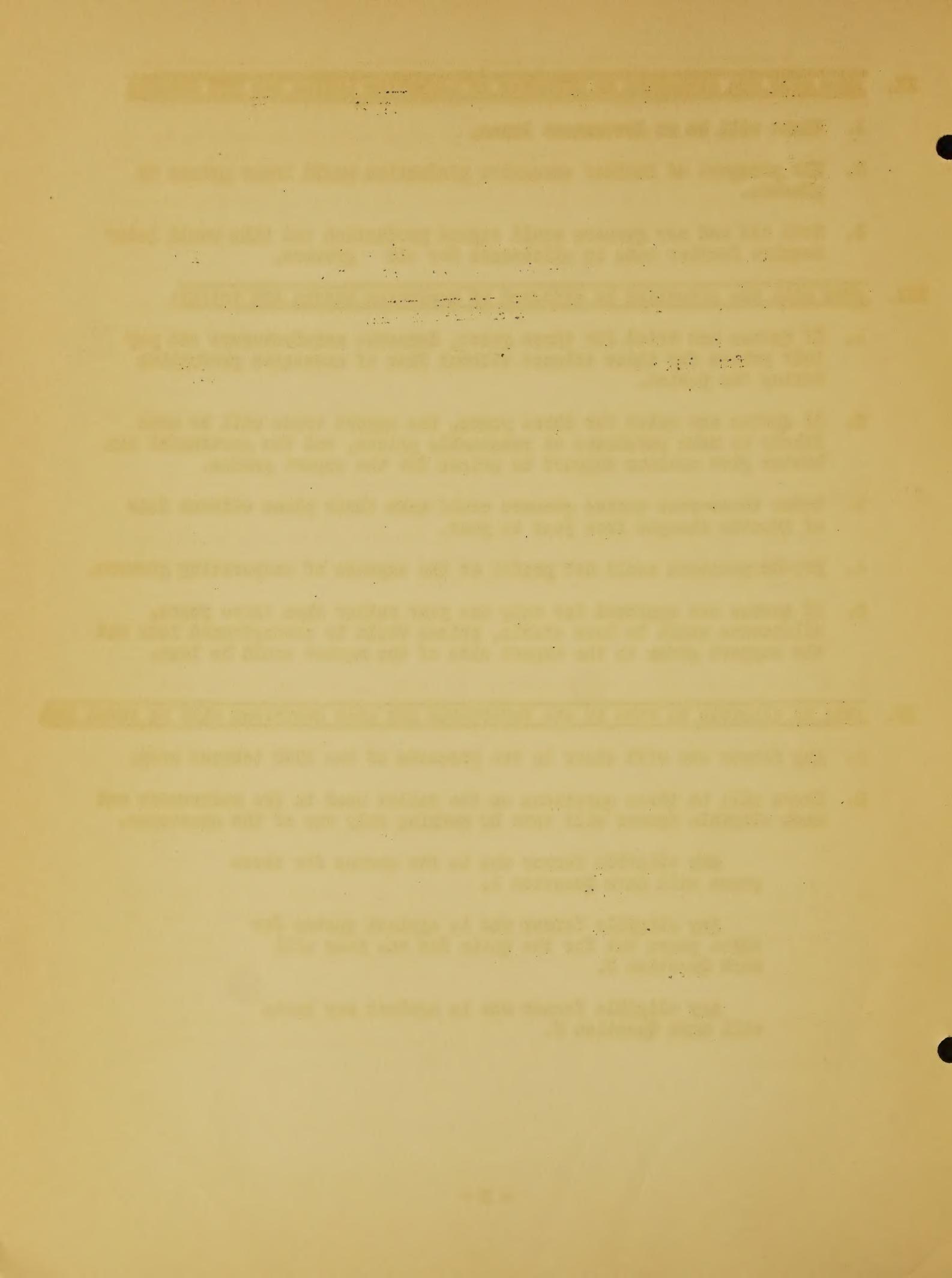
IV. :Who is eligible to vote in the referendum and what questions will be voted on?:

1. Any farmer who will share in the proceeds of the 1940 tobacco crop.
2. There will be three questions on the ballot used in the referendum and each eligible farmer will vote by marking only one of the questions.

Any eligible farmer who is for quotas for three years will mark Question 1.

Any eligible farmer who is against quotas for three years but for the quota for one year will mark Question 2.

Any eligible farmer who is against any quota will mark Question 3.



V. :If marketing quotas are voted for a three-year period will allotments be stabilized?

1. Farm allotments for each of the three years will be up or down by the same percentage that the National quota goes up or down from the quota for the preceding year. No farm allotment, however, can be cut more than 10 percent from the 1940 allotment during the entire three-year period and no reduction will be made in any allotment which was 2 acres or less in 1940. This guarantee does not apply to those growers who violate the marketing quotas.
2. Up to 2 percent of the 1940 allotment for each State can be used in each year for adjustment of individual farm allotments which are low as compared with the allotments for similar neighboring farms. This allotment would be in addition to the National and State allotments.
3. Any new farm allotments will be limited primarily to farms operated by old tobacco growers who have lost their farms, and only a very small acreage will be available for this purpose.

VI. :What are the provisions for enforcement of the marketing quotas?:

1. The penalty on any tobacco marketed in excess of the farm marketing quota is 10 cents per pound. Collection of penalties will begin with the first sale of tobacco from the farm.
2. There will be no transfer of marketing quotas among farms nor sale of marketing cards.
3. If one farmer sells, or permits to be sold, on his marketing card tobacco grown on another farm, the allotment for each farm will be reduced in the next year by the amount of tobacco so marketed. Also, the farmer marketing the tobacco becomes liable for the penalty due thereon.
4. If a farmer fails to account for disposition of any amount of his tobacco the allotment for his farm will be reduced in the next year by such amount of tobacco.
5. If any farmer falsely identifies or fails to account for disposition of tobacco he becomes liable for a penalty of ten cents per pound of the normal production on the entire acreage harvested in excess of the farm acreage allotment, this penalty being in addition to any other penalty.
6. Adequate penalties are provided in the case of any warehouseman, dealer, or buyer who fails to keep proper records and make proper reports.

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U. S. Department of Agriculture

WASHINGTON, D. C., June 10, 1940.

To Flue-Cured Tobacco Growers:

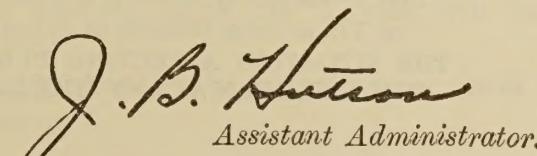
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